

# LATHAM & WATKINS<sup>LLP</sup>

August 6, 2004

## **BY HAND DELIVERY**

Ms. Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 12th Street, SW  
Washington, DC 20554

**Re: Reply Comments of Paradise MergerSub, Inc., WC Docket No. 04-234**

Dear Secretary Dortch:

Attached, please find the Reply Comments filed by Paradise MergerSub, Inc. ("Paradise MergerSub" or "Transferee") in the above captioned proceeding.

Paradise MergerSub understands that the deadline for reply comments was August 5, 2004, but respectfully requests that the Commission accept this submission into the record in this proceeding as reply comments or, alternatively, as a written presentation. To the knowledge of Paradise Merger Sub, neither the Transferors nor Transferee were served with the comments filed in this proceeding, and neither was aware until today that any such comments were filed with the Commission. Paradise MergerSub believes that these Reply Comments will assist the Commission in considering the merits of the proposed transaction in this proceeding. Therefore, acceptance of these Reply Comments into the record would serve the public interest.

Please contact the undersigned with any questions regarding this matter.

Sincerely,

/s/

Jeffrey A. Marks

555 Eleventh Street, N.W., Suite 1000  
Washington, D.C. 20004-1304  
Tel: (202) 637-2200 Fax: (202) 637-2201  
www.lw.com

### FIRM / AFFILIATE OFFICES

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File No. 015913-0107

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554**

Application of

Verizon Hawaii Inc., Bell Atlantic Communications,  
Inc. (d/b/a Verizon Long Distance) and Verizon  
Select Services Inc.,

Transferors,

and

Paradise MergerSub, Inc.

Transferee,

For Consent to Transfer Control of Verizon Hawaii  
Inc. and Certain Assets and Long Distance Customer  
Relationships Related to Interstate Interexchange  
Telecommunications Service in the State of Hawaii

WC Docket No. 04-234

**Reply Comments of Paradise MergerSub, Inc.**

Paradise MergerSub, Inc. (“Paradise MergerSub” or “Transferee”), through counsel, hereby responds to the comments filed in response to the Application for Consent to Transfer Control (the “Application”) the above-captioned docket.

**I. INTRODUCTION**

Paradise MergerSub urges the Commission to grant the Application pursuant to the Commission’s streamlined processing procedures. In the Application for Consent to Transfer Control (the “Application”), the parties to the Application seek authorization to transfer control of Verizon Hawaii, Inc. (“Verizon Hawaii”) and certain long distance assets to Paradise Merger

Sub, a holding company wholly owned by investment funds associated with The Carlyle Group.<sup>1</sup> In response, two parties filed comments: Pacific LightNet, Inc. (“PLNI”) and Sandwich Isles Communications, Inc. (“Sandwich Isles”). Because PLNI was the only commenter that opposed the Application, this Reply will focus on responding to the Comments of PLNI.

## **II. THE TRANSFeree INTENDS TO CONTINUE TO PROVIDE QUALITY SERVICES AND TO HONOR EXISTING TARIFFS AND AGREEMENTS**

PLNI argues, without basis, that the transaction will “diminish the efficiency” of Verizon Hawaii’s operational support systems, causing the Transferee to increase rates.<sup>2</sup> In short, PLNI’s concerns are wholly speculative and without a shred of support.

As explained in the Application, the Transferee will continue to provide local exchange and domestic interstate interexchange services after the closing of the transaction without reduction, impairment, or discontinuance of service to any customer.<sup>3</sup> Pursuant to a Transition Services Agreement (“TSA”) to be entered into by the parties to the transaction, the Transferee intends to utilize the back-office services currently in place for Verizon Hawaii for up to nine months from the date of closing the transaction, as it transitions to its own back-office systems. Even in advance of closing, and thus in advance of the nine-month transition period contemplated in the TSA, the Transferee has conducted a rigorous process to select a world-class systems integrator. Among other things, certain key consultants already have been retained to assist in evaluating comprehensive proposals submitted by several systems integrators and other

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<sup>1</sup> As described in the Application, Paradise MergerSub is majority owned and controlled by certain investment partnerships sponsored by T.C. Group, L.L.C. (together with its affiliates, d/b/a The Carlyle Group and referred to as “Carlyle”).

<sup>2</sup> Comments of Pacific LightNet, Inc. at 5, 9.

<sup>3</sup> Application at 13.

potential vendors.<sup>4</sup> The consultants will ensure that the systems integrators and vendors selected are well qualified and have the ability to complete their contracted tasks in the time allotted. Thus, through the TSA, the Transferee has ensured a seamless transfer upon consummation of the transaction and already has the building-blocks in place to transition to new back-office functions at the appropriate time.

If issues arise during the transition process that cause concern for any third parties regarding the transition to new ownership, they may discuss those directly with the transition teams of the transferor and transferee. PLNI's pleading is in stark contrast to that filed by Sandwich Isles, which stated its expectation of a "cooperative" relationship and continued good faith negotiations with the Transferee upon approval of the proposed transaction.<sup>5</sup> If PLNI has continued concerns during the transition process, the Transferee urges PLNI to contact it directly.

Paradise MergerSub asserts that consumers in Hawaii will benefit from the proposed transaction. Paradise MergerSub is committed to offer new services to customers, including expanded broadband.<sup>6</sup> Further, and contrary to PLNI's assertion, Paradise MergerSub will not raise rates as it transitions the Hawaii telecommunications operations to new ownership and new

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<sup>4</sup> Additionally, the Carlyle partners responsible for this transaction have exceptional experience in the telecommunications sector. For example, James A. Attwood, Jr. is a former executive vice president for Verizon and GTE; William E. Kennard is the immediate past chairman of the FCC; and Dan Akerson is the former chairman and Chief Executive Officer of XO Communications and, prior to that, was chairman and Chief Executive Officer of Nextel Communications.

<sup>5</sup> Comments of Sandwich Isles Communications, Inc. at 3.

<sup>6</sup> See <http://www.carlyle.com/eng/news/15-news2792.html> (visited Aug. 6, 2004).

back-office systems.<sup>7</sup> PLNI's baseless claims to the contrary should not be entertained by the Commission.

### **III. THE PROPOSED TRANSACTION DOES NOT RAISE COMPETITIVE OR NATIONAL SECURITY CONCERNS**

PLNI's misguided argument that the Commission should deny the Application because of Carlyle's purported "looming strategic interest in developing a Trans-Pacific network"<sup>8</sup> is without force. It is wholly inappropriate for the Commission to consider Carlyle's *possible future transactions*, which are not before the Commission. Moreover, PLNI's assertions in its Comments are pure speculation. PLNI fails to demonstrate how potential acquisitions in the Alaska and Guam telecommunications markets would affect consumers or competitors in Hawaii, or what the national security or competitive concerns would arise in the event that Carlyle served those markets. With regard to the current transaction, as stated in the Application, "there will be no reduction in the number of competitors or the level of competition in Hawaii as a result of the transfer of control to the Transferee."<sup>9</sup> If, in the future, Carlyle acquires a controlling interest in any additional domestic telecommunications companies, the Commission will have ample opportunity to address any national security, competition, and other public interest concerns at that time.

### **IV. CONCLUSION**

For the forgoing reasons, the Commission should deny the request of PLNI. The parties to the Application have demonstrated that the proposed transaction is in the public interest, and

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<sup>7</sup> *Id.*

<sup>8</sup> Comments of Pacific LightNet, Inc. at 7.

<sup>9</sup> Application at 13.

that the Transferee has the qualifications necessary to continue to provide quality services to Hawaii upon grant of the proposed transaction.

Respectfully submitted,

William E. Kennard  
Managing Director  
The Carlyle Group  
1001 Pennsylvania Avenue, N.W.  
Suite 200  
Washington, D.C. 20004  
(202) 347-2626  
william.kennard@carlyle.com

/s/\_\_\_\_\_  
Karen Brinkmann  
Jeffrey A. Marks  
LATHAM & WATKINS, LLP  
555 Eleventh Street, N.W., Suite 1000  
Washington, D.C. 20004  
(202) 637-2200  
karen.brinkman@lw.com  
jeffrey.marks@lw.com

Attorneys for Paradise MergerSub, Inc.

Dated: August 6, 2004

## **CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing Reply Comments of Paradise

MergerSub, Inc. was served this 6th day of August, 2004, upon the following:

Marlene H. Dortch, Secretary  
Federal Communications Commission  
The Portals  
445 Twelfth Street, SW  
Washington, DC 20554  
*\*via electronic filing*

J. Jeffrey Mayhook  
Laura A. Mayhook  
MAYHOOK LAW, PLLC  
34808 NE 14<sup>th</sup> Avenue  
La Center, WA 98629  
(360) 263-4340  
*\*via Federal Express*

David Cosson  
Kraskin, Moorman & Cosson LLC  
2120 L Street, N.W. Suite 520  
Washington, DC 20037  
(202) 296-8890  
*\*via Federal Express*

Julie C. Clocker  
Verizon Communications Inc.  
1515 North Court House Road  
Suite 500  
Arlington, VA 22201-2909  
(703) 351-3037  
*\*via Federal Express*

Best Copy and Printing, Inc.  
445 Twelfth Street, SW  
Room CY-B402  
Washington, DC 20554  
www.bcpweb.com  
*\*via electronic mail*

Tracey Wilson  
Competition Policy Division  
Wireline Competition Bureau  
445 12<sup>th</sup> Street, S.W.  
Room 5-C437  
Washington, DC 20554  
tracey.wilson-parker@fcc.gov  
*\*via electronic mail*

Kimberly Jackson  
Competition Policy Division  
Wireline Competition Bureau  
445 12<sup>th</sup> Street, S.W.  
Room 3-C403  
Washington, DC 20554  
kimberly.jackson@fcc.gov  
*\*via electronic mail*

Julie Veach  
Competition Policy Division  
Wireline Competition Bureau  
445 12<sup>th</sup> Street, S.W.  
Room 5-C124  
Washington, DC 20554  
julie.veach@fcc.gov  
*\*via electronic mail*

Christopher Killion  
Office of General Counsel  
445 12<sup>th</sup> Street, S.W.  
Room 8-C740  
Washington, DC 20554  
chris.killion@fcc.gov  
*\*via electronic mail*

/s/  
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Jeffrey A. Marks